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C O N F I D E N T I A L SECTION 01 OF 02 CONAKRY 000544

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TAGS: [ECON](#) [EFIN](#) [PGOV](#) [PREL](#) [GV](#)
SUBJECT: GOVERNMENT UNABLE TO ENFORCE RAMADAN PRICE CONTROLS

Classified By: ECONOFF BRIANA WARNER FOR REASONS 1.4 (B) AND (D)

¶1. (C) Summary: Despite a Ministry of Commerce initiative to decrease the price of rice and sugar, commodity prices have risen in Guinea during the month of Ramadan. According to contacts in the Ministry of Commerce and the Societe de Commerce et de Financement (SCF), Guinea's largest private importer of flour and rice, suppliers are selling the goods at the government-imposed price while vendors are charging significantly more on the market. Though prices have increased, an SCF contact said that as long as people can afford food, they will not protest the prices. He further noted that the volume of rice sold to the military has doubled since the CNDD took power. Through price controls and food distribution among the military, the CNDD is attempting to gain popularity to the detriment of their national budget. END SUMMARY.

COMMERCE ORDERS PRICE CAP

¶2. (U) Minister of Commerce, Colonel Mamadou Korka Diallo, declared on August 27 that the price of rice and sugar would be fixed for the month of Ramadan. Korka demanded that importers lower the price of rice and sugar respectively to 122,000 GF and 160,000 GF per fifty kilo bag. Before this declaration, a bag of rice cost around 166,000 GF and sugar was available for 170,000 GF. Korka announced that the government would revoke the license of any importer or vendor found selling above the declared price during the month long religious celebration.

¶3. (U) The GOG is apparently funding this price decrease by waiving the import tax on rice, thereby foregoing import revenues. With a rate around 46%, the prohibitive import taxes on these basic staple goods would normally get passed on to consumers. The tax cut is intended to act as a subsidy to counteract negative price fluctuations.

¶4. (U) Despite Korka's efforts to reduce prices, consumer goods have become more expensive during Ramadan. According to the Vice President at SCF, the largest importer of rice and wheat in Guinea, importers are selling the goods at the required price, but vendors are increasing the price substantially as demand grows during Ramadan. Falilou Barry, the Secretary General of the Ministry of Commerce echoed this insight in a meeting with EconOff on September 3, noting that the actual price of rice has nearly doubled since mid-July as a result of Ramadan.

REVENUE LOSS

15. (C) Barry, a long-time employee of the Ministry of Commerce, told EconOff that the loss in tax revenue will damage the already weak GOG budget. Noting that the government is unable to effectively collect taxes due to corruption and poor enforcement capabilities, Barry said that the government's budget losses from the price control policy means that it is not currently collecting any significant revenue. As such, the government may find itself unable to continue the price control policies.

16. (C) Ibrahima Sow also said that the government is, in essence, sacrificing future budgetary freedom for temporary popularity, but that the government's plan will ultimately backfire. Rather, the failure to implement the promised price controls will expose the CNDD's inability to enact and enforce its own policies.

POPULIST POLICIES EXPAND TO MILITARY

17. (C) SCF, as the largest supplier of wheat and rice to the military during Lansana Conte's reign, has long been privy to the amount of basic commodities purchased by the armed forces. According to Sow, the CNDD revoked SCF's contract

CONAKRY 00000544 002 OF 002

with the government in January and hired a company owned by a CNDD member to supply the army with basic goods. However, the new contracting company does not have the capacity to supply the needed amount. As such, the new company must buy its goods from SCF to sell to the military. SCF still supplies the military unofficially, but the government incurs an extra fee by contracting an intermediary supplier.

18. (C) According to Sow, the CNDD is giving extra food to the military and gendarmerie in order to gain popularity. Under Conte, he government reportedly purchased around three million tons of rice per month. Under the CNDD, the GOG is now buying nearly five million tons every month.

19. (C) Sow also noted that despite significant commodity price increases during the month of Ramadan, the price of basic foodstuffs is still generally affordable. He believes that this factor alone will prevent civil unrest in Guinea. "Until people don't have anything to eat, they will not rise up against this government," he said.

COMMENT

110. (C) The increased demand for rice and sugar during Ramadan will necessarily affect natural prices for these goods. However, the CNDD's inability to enact its own pricing plan demonstrates its ineffectiveness in enforcing economic policies. The pricing plan itself seems ill conceived, since import taxes are one of the GOG's only ways to collect revenue. As a way to recuperate some of the losses, the government may impose revenue collecting fees in other sectors that will increase consumer prices in the long-run. Although Sow claimed that the significant increase in military consumption of rice is due to CNDD efforts to buy support, it may also indicate increased numbers of troops.
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